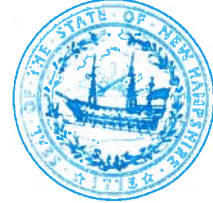




The State of New Hampshire  
**Department of Environmental Services**

**Clark B. Freise, Assistant Commissioner**



February 7, 2017

The Honorable Richard Barry  
Chair, House Science, Technology, and Energy Committee  
Legislative Office Building, Room 304  
Concord, NH 03301

**Re: HB 592-FN - An Act relative to repealing New Hampshire's regional greenhouse gas initiative**

Dear Chair Barry and Members of the Committee:

Thank you for the opportunity to comment on House Bill 592-FN. This bill would repeal New Hampshire's Regional Greenhouse Gas Initiative (RGGI) market-based program for controlling carbon dioxide (CO<sub>2</sub>) emissions. RSA 125-O:27 already requires a comprehensive review of New Hampshire's RGGI program and this review was initiated in 2016. In the interest of long-term regulatory and market certainty, the outcome of this review should guide any decisions to modify or eliminate the state's RGGI program. Therefore, the New Hampshire Department of Environmental Services (NHDES) opposes the bill and recommends that changes to the existing program be deferred pending completion of the 2016 review. We would also like to draw the committee's attention to economic benefits associated with the RGGI program and clarify New Hampshire's participation in the RGGI program.

First, and foremost, continued participation in RGGI, rather than withdrawal from the regional program, is economically a better choice for New Hampshire. The costs of RGGI implementation is reflected in the regional wholesale electricity rate for the six-state New England regional grid. In 2014, NHDES and the Public Utilities Commission (PUC) estimated that withdrawal from RGGI would increase costs to New Hampshire ratepayers<sup>1</sup> by approximately \$6.6 million. However, if New Hampshire continues its participation, the state would realize estimated revenues of at least \$10 million from the sale of RGGI allowances.

Second, the evidence is clear that market-based programs, such as those with CO<sub>2</sub> allowance auctions, benefit consumers by harnessing the value of the CO<sub>2</sub> allowances for investment in programs that reduce energy demand, create jobs, and enhance consumers' control over their energy use and costs.<sup>2</sup> New Hampshire was one of the last states to become a participant in RGGI, and we did so only after a University of New Hampshire economic study confirmed that

<sup>1</sup> *HB 306 RATEPAYER COST ANALYSIS* DES and PUC 2-page handout

<sup>2</sup> *RGGI Fact Sheet: RGGI CO<sub>2</sub> Allowance Auctions*, RGGI, Inc. website  
[http://www.rggi.org/docs/RGGI\\_Auctions\\_in\\_Brief.pdf](http://www.rggi.org/docs/RGGI_Auctions_in_Brief.pdf)

[www.des.nh.gov](http://www.des.nh.gov)

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New Hampshire would be better off participating in RGGI than not, and that RGGI would have a net positive impact on New Hampshire's economy as well as help to stabilize and, over the long term, reduce the state's electricity costs. Even then, New Hampshire's enabling legislation enacted several safeguards to additionally protect the state from potential unintended consequences of any significant market volatility.

In addition, there are a number of other significant benefits<sup>3</sup> to maintaining RGGI in New Hampshire. RGGI is an economic and environmental "win-win," a pro-business strategy that:

- helps to mitigate and ultimately reduce long-term energy costs via greater investment in energy efficiency;
- creates a market signal that encourages development of cleaner and, in many cases, more local energy sources;
- increases our energy independence with more local energy sources, thus keeping more energy dollars local;
- is a flexible, market-driven policy that begins to address the issue of climate change by capping and then modestly reducing regional CO<sub>2</sub> emissions from large fossil-fueled power plants;
- starts to reduce greenhouse gas (GHG) emissions to avoid the most deleterious projections of climate change impacts (e.g., New Study: 7,000 Seacoast properties could be under water by 2100 yet NH keeps building<sup>4</sup>);
- increases economic opportunities for New Hampshire businesses for development of clean energy technologies; and
- places New Hampshire's generators in an advantaged position to respond to future federal policies.

A past criticism of New Hampshire's participation in RGGI was that investments of the state proceeds from RGGI allowance auctions are somehow perceived as beneficial only to those individuals, municipalities, and businesses directly receiving RGGI grants. To the contrary, any investment of RGGI proceeds toward energy efficiency directly benefits *all* New Hampshire citizens and ratepayers by reducing the overall demand for electricity, which in turn reduces the additional capital investment needed by electricity providers to meet increased demand. In particular, the high cost of "peaking" plants to meet demands on the hottest days of the year are reduced or avoided. All of these costs are ultimately passed on to all New Hampshire consumers, so keeping them low is in the best interests of all citizens, businesses and municipalities. Thus, investments in energy efficiency ultimately reduce costs for everybody.

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<sup>3</sup> RGGI Benefits report February 2011 [http://www.rggi.org/rggi\\_benefits](http://www.rggi.org/rggi_benefits)

<sup>4</sup> NEW HAMPSHIRE COASTAL RISK AND HAZARDS COMMISSION "Preparing New Hampshire for Projected Storm Surge, Sea-Level Rise, and Extreme Precipitation" <http://www.nhcrhc.org/wp-content/uploads/2016-CRHC-final-report.pdf>

Furthermore, the statute already includes the following provisional repeal of RGGI:

*“[RSA 125-O:8 effective until the date that the commissioner of the department of environmental services certifies to the secretary of state and the director of the office of legislative services that certain states have terminated or have authorized termination of their participation in the regional greenhouse gas initiative; see also RSA 125-O:8 set out below.]”*

Prior to enactment of RGGI, New Hampshire already had a cap on CO<sub>2</sub> emissions from certain power plants as part of RSA 125-O, originally passed in 2002, demonstrating state leadership. RGGI expanded that state-specific cap to a regional cap, affording greater compliance flexibility and reducing compliance costs. Repealing RGGI would raise the question as to whether or not a state-specific cap should be reinstated.

Maintaining RGGI for New Hampshire is good policy, as it makes sense both economically and environmentally. New Hampshire does not operate in a vacuum, but rather is directly affected by the decisions made by other states. If New Hampshire alone were to discontinue its participation in RGGI, it would still incur the costs of the RGGI program without receiving any financial benefit. The RGGI program positions the state on the road to energy independence and a cleaner environment.

Thank you again for the opportunity to provide testimony on HB 592-FN. If you have any questions or require further information, please contact either Craig Wright, Director of the Air Resources Division ([craig.wright@des.nh.gov](mailto:craig.wright@des.nh.gov), 271-1088) or Michael Fitzgerald, Assistant Director ([michael.fitzgerald@des.nh.gov](mailto:michael.fitzgerald@des.nh.gov), 271-6390).

Sincerely,



Clark B. Freise  
Assistant Commissioner

cc: HB 592-FN sponsor: Rep. Harrington

